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Review of the efficiency of the administrative and financial functioning of the United Nations

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Note by the Secretary-General

1. Pursuant to General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, concerning the review of the programme and administrative practices of the secretariat of the International Trade Centre UNCTAD/WTO (ITC).

2. The Secretary-General takes note of its findings and concurs with its recommendations.

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Annex

Report of the Office of Internal Oversight Services on the review of the programme and administrative practices of the secretariat of the International Trade Centre UNCTAD/WTO

Summary

The transition of the International Trade Centre UNCTAD/WTO (ITC) to an effective and focused instrument for the promotion of expanded world trade has begun after a long period in which no direction was exercised. The process is only now beginning to have an effect. It will need to be pursued with persistence and firmness by management and ITC stakeholders if ITC is to fulfil its role.

Much useful work has been done and a lot of candid introspection has taken place over the last two years. This included revisiting priorities, reorganizing the secretariat, and introducing the concept of corporate strategy and quality assurance. However, at the time of the inspection, these efforts had not yet developed into a house-wide comprehensive strategy and an articulated work plan. The role of ITC in promoting the objectives of its parent organizations or their role in the formulation of those programmes also needs to be further clarified.

Fragmentation appears to exist at the levels of formulating programmes, monitoring their implementation and assessing their results. The mechanism for promotion of coordination, coherence and complementarities and the optimization of resource utilization within ITC, as well as, between ITC and its parent organizations, i.e., the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO), needs to be strengthened. Also lacking was a systematic approach for tracking progress in delivery and evaluating achievements. The situation is further aggravated by insufficient external oversight over the Centre's work by its parent organizations and intergovernmental bodies.

The establishment of the Corporate Strategy and Quality Assurance Section is a potentially valuable management instrument. However, its role appears to suffer from flaws either in concept or in implementation or both.

It remains to be seen whether the newly introduced organizational changes constitute an effective instrument for the implementation of the new priorities and interrelated objectives. The responsibilities, authority and accountability of the sections and units under the main divisions are not clear. Furthermore, interdivisional responsibilities are vague and the delegation of authority empowering senior officers and programme managers is lacking.

Both the process of institutional change and the management of operations during this transition need critical monitoring with a view to fine-tuning in the light of what works and what does not work in the context of ITC.

The managerial role played by the existing instruments, which are designed to provide collective guidance and advice to management, appears cumbersome. In some instances, it delays action where promptness is required and dilutes responsibility.

The Centre's skill profile has not kept pace with the evolution in world trade.

The control over the staffing table is not adequate as a tool for sound management, and it lacks transparency. This also applies to the system of control over the utilization of consultants and experts.

The percentage of staff resources engaged in administrative functions appears to be too large for a small organization confronted with shrinking resources for project implementation.

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I. Introduction

1. In keeping with its mandate for oversight as set out in General Assembly resolution 48/218 B of 29 July 1994, a team from the Office of Internal Oversight Services conducted a review of the programme and administrative practices of the secretariat of the International Trade Centre UNCTAD/WTO (ITC). The team visited the ITC offices in Geneva during the last week of October 1996. The situation described in the present report is that prevailing at that time.

2. In the time available, the team attempted to examine whether the Centre's programme of work was properly conceived, implemented and assessed and whether the secretariat was operating in an environment that facilitated efficiency and effectiveness.

3. The team met with the Executive Director of ITC and conducted extensive interviews with the Directors of divisions and most staff in managerial positions, as well as staff representatives. The team was also provided with the views of some of the stakeholders.

4. Upon completion of the field work, the team examined a substantial number of internal communications, documents, administrative issuances, policy directives, minutes of meetings, audit and evaluation findings and job descriptions. The conclusions and recommendations in the present report have been designed to enable ITC to discharge its responsibilities better. Their implementation will require special efforts, cooperation and candid introspection by the staff and management alike.

5. The team greatly appreciates the cooperation extended to them by staff at various levels during the review.

II. Institutional context and resources

6. The International Trade Centre UNCTAD/WTO was created by the General Agreement on Tariffs and Trade (GATT) in 1964. Since 1968, it has been operated jointly by GATT (now the World Trade Organization (WTO)) and the United Nations, the latter acting through the United Nations Conference on Trade and Development (UNCTAD).

7. As a United Nations entity whose sole purpose is to provide technical support and services to Member States, ITC is atypical. It does not have the norm-setting, policy and research functions that are part of the mandate of specialized agencies such as the International Labour Organization (ILO), the International Telecommunication Union (ITU) or the Food and Agriculture Organization of the United Nations (FAO). Its sole function is the provision of technical cooperation in the area of international trade promotion. ITC is mandated to act as the focal point in the United Nations system for technical cooperation with developing countries in trade promotion. ITC works with developing countries and countries with economies in transition to set up effective trade promotion programmes for expanding their exports and improving their import operations. This covers six key areas: product and market development; development of trade support services; trade information; human resource development; international purchasing and supply management; needs assessment and programme design for trade promotion.

The Centre's particular niche

8. Given its concentration on such specific functions, a study of the workings of ITC is an opportunity to focus on the problems a United Nations entity faces in providing technical cooperation in circumstances where the demand for, and supply of, such services have been changing rapidly and are likely to continue to do so and where the issues are not affected by competing institutional responsibilities.

9. ITC serves as the technical assistance arm of UNCTAD and WTO in the operational aspects of trade promotion and export development. To carry out its functions it has a regular budget for the biennium 1996-1997 amounting to $44 million. Of this amount it receives $22 million from the regular budget of the United Nations and a similar amount from WTO, out of a total WTO budget of around $83 million. On the one hand, this gives it a stronger budgetary base than some other institutions in the United Nations system and an automatic focus to its programmes that is similarly atypical. On the other, as the recipient of some 13 per cent of the regular resources of WTO, it has to expect ever-increasing scrutiny, both by the WTO secretariat and the latter's stakeholders, of its effectiveness in achieving its objectives.

10. The total anticipated expenditure of ITC for the current biennium is approximately $88 million. The contributions from the various sources of funding are as follows: regular budget – 50 per cent (of which the United Nations and WTO pay equal shares); the United Nations Development Programme (UNDP) – 19 per cent; trust funds – 24 per cent; and overhead – 7 per cent.

Declining United Nations Development Programme resources and the consequences thereof

11. ITC is an executing agency of UNDP responsible for implementing UNDP-financed projects related to trade promotion in developing countries and countries with economies in transition. It was created and expanded during a period when UNDP was playing the role of a central funding agency for the United Nations development system. Until recently, its activities were financed partly by UNDP and partly by donors through trust funds, roughly on an equal basis.

12. This situation has changed significantly in recent years. UNDP resources available for trade-related technical assistance executed by ITC increased during the 1980s from $10.4 million in 1986 (out of $689.2 million total UNDP programme expenditure, i.e., 1.5 per cent) to a high of $17.3 million in 1990 (out of $1,043.2 million total programme expenditure, i.e., 1.66 per cent of the total). Since then they have declined to $3.6 million in 1995 (out of $1,014.2 million, i.e., 0.3 per cent of the total). This shows that ITC never had a large share of UNDP resources and that the refocusing of efforts by UNDP and its allocation of resources to poverty reduction have further reduced this share. Also, over the last decade UNDP has made national execution the norm for its technical cooperation. This has contributed to the reduction in the level of resources available to all executing agencies.

Need for a fundamental rethink

13. For ITC, these developments have had the effect of reducing nearly fivefold the amount of UNDP country and regional programme resources devoted to trade promotion activities. Faced with a sharp fall in its income, coinciding with the transformation of one of its parent bodies from GATT to WTO in January 1995 following the long-running Uruguay Round negotiations, ITC was put in a situation where a fundamental rethink of its role and its capacity to play that role was necessary.

Absence of direction

14. Its response to this need was not facilitated by circumstances. ITC was without an Executive Director from January 1992 until mid-1994. This absence of leadership led the Joint Advisory Group, the immediate governing body of ITC, to remark in its report of November 1993 that the Group regretted the difficult circumstances in which ITC continued to find itself owing to the undue postponement of a decision on the appointment of its Executive Director and the filling of other key management posts, and to call on ITC parent bodies urgently to arrive at an appropriate solution. The Group further stated that ITC had become a victim of circumstances not of its own making and that it was unacceptable to damage a key organization of the United Nations system for the sake of upholding administrative principles.

15. Some damage was apparently done owing to the absence of clear leadership during the period when the framework within which multilateral trade-related institutions operated was undergoing a major change. In particular, there is no evidence of any effort to rethink the organization and its role during this period, let alone to contribute productively to the larger debate. This appears to have left its mark, and the effect on the organization was still being addressed at the time of the team's visit to Geneva.

Rethinking and repositioning

16. The new Executive Director, appointed in mid-1994 after the long period during which there was very little direction, commendably set about assessing the organization's strengths and redressing its weaknesses. He endeavoured to reposition it to face the calls from its stakeholders for change. A priority-setting exercise involving the staff of the organization was undertaken in mid- and late 1994 which led to a strategic orientation document entitled "ITC at the cross-roads, an agenda for the future". The document was presented to the Joint Advisory Group in November 1994. The new priorities were approved by the Group in May 1995.

17. There appear however, to be some overlaps between the work actually being carried out by UNCTAD and by ITC. The absence of direction in ITC already referred to earlier may have facilitated this. The possibilities that have emerged now for economizing by rationalizing this work need to be kept in mind by both organizations. The team took note of the fact that over the last two years concerted efforts had been made to exploit existing complementarities between UNCTAD and ITC. Thus, close coordination has been established between the two organizations within the UNCTAD programme on trade efficiency. However, these efforts need to be extended to other areas where opportunities for joint approaches could increase programme impact. Examples of such possibilities appear to exist for activities related to small and medium enterprises and the Trainfortrade programme.

Resource mobilization

18. In order to increase the resources available for technical cooperation with developing countries and countries with economies in transition, a Global Trust Fund was established in 1995. The Fund has two windows, one open to contribution for general unspecified requirements of developing countries and another earmarked for activities that individual donors consider to be priority areas. At the time of the team's visit, some $9.8 million had been mobilized for the period from 1995 to 1999.

III. Programme issues

A. The relationship of research work of the International Trade Centre UNCTAD/WTO to its operational activities

19. As far as research work is concerned, the team was shown extensive analytical material drawing on the data resources available within ITC on global trade flows, analysing the comparative advantage of different economies and their potential for benefiting from trade. Despite its small size, essentially two Professional staff members, the Research and Analysis Unit has been actively participating in seminars and workshops for exporters within recipient countries.

20. The Unit has an ambitious work programme, foreseeing 21 publications in the biennium 1996-1997. These include follow-up to the Uruguay Round, prospects for product and market diversification; an analysis of international trade in selected industries characterized by different types of commodity chains; a cross-country analysis of the correlation between trade and human development indicators; and the conditions of success in trade promotion. Given this impressive sounding sample, it is instructive that the Unit has been told by the Executive Director to convince operational units of the utility of its products.

21. Applied research is also carried out, though somewhat unevenly, by substantive divisions in the preparation of publications and the development of technical assistance tools. The latter is supported in part by Global Trust Fund-window II funding. The Research and Analysis Unit was mandated by the Executive Director to encourage and assist less interested substantive sections to pursue useful applied research. The team was advised that this was because the Directors have been somewhat sceptical in the past of the value of this kind of research. This approach was described by the Executive Director as central to his strategy of moving resources and emphasis to the two divisions where ITC could add value to the international trade process, namely the Division of Product and Market Development and the Division of Trade Support Services. This is a plausible strategy.

22. It is not clear, however, that all operational units perceive that technical cooperation is changing or how. Nor is it clear that they see the role of applied research in showing them how these changes are altering the niche that ITC can occupy or in indicating some of the challenges to which those units need to rise. If ITC is to meet the needs of its clients, it needs to know who they are, and if the research it is undertaking, whether in the Research and Analysis Unit or in the operational divisions, is not contributing to this, then it is not serving ITC purposes well.

23. If management is convinced of the validity of the applied research work and if all operational units are not capable of grasping the nature and value of such an approach to improving the pertinence of their programmes, then some fine-tuning of the make-up of operational units may be necessary. This is an issue that will require persistent and firm managerial guidance.

24. In terms of the effectiveness of the organization's research work, there does not appear to be any clear linkage yet between the research programme and the choice of activities funded from the Global Trust Fund. The criteria by which research success would be judged is not clear. They should be.

25. Also noteworthy is the relationship between trade in services and research. Trade in services has been one of the fastest growing sectors of world trade for some years now and ITC has set up a small unit to deal with it, including the development of a strategy. A strategy paper prepared by outside consultants was shown to the team. It is noteworthy for two aspects. First, it revealed the Centre's belief that it did not have the in-house capacity to develop a strategy for an area of such importance. This gives a worrying signal about in-house capacity. Secondly, the paper shows little trace of the other research work going on in ITC. This gives an equally worrying signal about internal coherence and management of resources. None of the foregoing should be taken as casting aspersions on the idea of doing applied research, or on the overall quality of what has been done. The central point is that such applied research should be managed coherently and synergistically and should contribute to a continuing refinement of the strategic goals

of the organization and the improvement of its tools and methods for achieving them.

B. Corporate Strategy and Quality Assurance Section

26. The creation of this office was one of the initiatives of the new management as part of its effort to reorient ITC. The Section had at the time of the team's visit three Professional-level staff posts. One staff member undertakes programme appraisal and coordination work, one does the evaluation work, and there is a chief who supervises and endeavours to address strategic issues.

27. This putting together of strategy formulation/appraisal quality control and evaluation in one office appears to reflect a recommendation of the Joint Inspection Unit that the strategic functions of planning and quality assurance should be put together in one unit to ensure that senior management receives clear and unambiguous signals on such essential matters.

28. Whatever the theoretical merits of such a practice, in the case of ITC it was not working well at the time of the team's visit and the issue needed to be revisited. Part of its incomplete success appears to be a problem of the concept and part because of how it has been applied.

29. First, there is an inherent problem in including the evaluation and the appraisal support functions in a single office. It means the office must at some stage evaluate what it earlier had a hand in appraising. This raises obvious issues of conflict of interest. There is also a problem of critical mass. A three-person office such as the one at ITC does not have the staff necessary to cover properly all the areas that it should. In these circumstances, it may be better to focus its responsibilities with care in the light of the evolving culture and structure of the organization.

30. One way would be to concentrate on improving the process of programme and project formulation and appraisal without getting directly involved. If there is a desire to maintain the involvement of the Corporate Strategy and Quality Assurance Section in the process, but avoid a conflict of interest, outside consultants could be used in the short run to appraise proposals against accepted criteria, and the Corporate Strategy and Quality Assurance Section could evaluate their performance and the performance of operational units in preparing material that lives up to such criteria.

31. This suggestion takes account of the fact that the project formulation guidance carefully and labouriously put together by the Corporate Strategy and Quality Assurance Section is not yet actually being applied by the ITC units responsible. The material does not appear to differ much, either qualitatively or quantitatively, from material that is in use in most of the other United Nations specialized agencies. As such, the reluctance of operational staff to use it and management to insist on its use is noteworthy.

32. The resistance may reflect the attitude of technical staff, who consider themselves entrenched and who see no need for material they consider of little use as it centralizes a function for which they had principal responsibility. The reluctance may reflect the sensitivity of management to the diverse dimensions of introducing change of behaviour within an organization. The fact remains, however, that at present ITC projects are not very well designed and there are, at best, mixed signals as to their effectiveness. Yet steady improvement will need to be made over the next few years if ITC is to regain its standing among its stakeholders. If the approach and tools proposed by the Corporate Strategy and Quality Assurance Section to solve this are deficient in any way, then ITC should decide where those deficiencies lie and rectify them forthwith.

33. Overall, the reluctance of technical staff to make use of quite standard project and programme appraisal material and the demanding requirements of research raise the issue of overall quality of staff.

34. Another way for the Corporate Strategy and Quality Assurance Section to focus its limited resources would be to put greater stress on evaluating the strategies, policies and programmes within the organization and to build up the in-house capacity to promote their effective feedback into operations. There are several alternative avenues that senior management may wish to follow, and those put forward in the present report are only two of them. The central point is that the Corporate Strategy and Quality Assurance Section should provide greater value added than it does at present.

35. One should also note that the original proposal for the Corporate Strategy and Quality Assurance Section foresaw the development, in cooperation with the substantive and research units, of a performance rating system to measure the organization's achievements. Given the increasing interest of Member States in the effectiveness and impact of the operational activities of the United Nations system, it is time that such a system was put in place and implemented by ITC.

C. Relationship of the Centre with the United Nations Conference on Trade and Development and the World Trade Organization

36. It is to the Centre's advantage that it has two parents, WTO and UNCTAD. But this means that it has two parties that establish its agenda. This is done once a year at the Joint Advisory Group. It is reasonable to expect that as part of the dialogue over follow-up to the Uruguay Round, the international community would pay increasing attention to how well recipient countries are responding to the opportunities offered to them from the expansion of world commerce. The team was advised that there are regular meetings between the heads of the three institutions every six months and that there is collective guidance on how to make sure that ITC is, and is seen to be, efficient and effective in responding to this.

37. As noted elsewhere, there is scope for greater synergy between the activities of ITC and UNCTAD, given the complementary nature of what they both aspire to do. We raise for consideration by the senior management of ITC and its parent organizations whether a progressive integration over a five-year period of the work of ITC and UNCTAD would not lead to efficiencies that would enable the United Nations system to respond more effectively and with greater resources to the objectives of Member States in the area of trade and development, including those falling under follow-up to the Uruguay Round.

IV. Organizational and staffing issues

38. Weaknesses in the management structure of ITC and the constraints and problems facing the organization have been subject to various reviews in the past, namely in 1977, 1984 and 1990. A summary list of the main problems identified in the reviews is presented hereunder:

(a) Lack of mechanisms for strategic thinking, policy formulation, planning and programme development;

(b) Lack of mechanisms for coordination and central direction;

(c) Sense of fragmentation, each sector looking inward, and a lack of teamwork;

(d) Lack of clearly defined responsibilities and related accountability;

(e) Duplication of activities in trade information, training, research and development;

(f) Absence of a clear basis for deciding on resource use;

(g) Too much attention to delivery in monetary terms;

(h) Insufficient attention to feeding evaluation lessons back into project design;

(i) Insufficient delegation of authority to section chiefs and desk officers;

(j) Geneva-based work not coordinated with field work; little cross-fertilization;

(k) Excessive dependence on consultants and little time for technical staff to keep up with their areas of specialization.

39. The problems identified in earlier reviews suggest that even before GATT evolved into WTO bold changes in the ITC structure and modality of operations were urgently needed. Unfortunately, the efforts initiated to address the situation were jeopardized by the prolonged management vacuum that occurred soon after. Thus, during the period from 1992 to 1994, not only was the post of Executive Director vacant but also key positions in ITC management and administration remained empty. These included the post of the Deputy Executive Director (D-2) and the Director of Administration (D-1). On 1 May 1992, an officer-in-charge at the D-1 level was appointed to manage ITC until the current Executive Director assumed his function in June 1994.

40. The newly appointed Executive Director launched, during the summer of 1994, a major review-cum-refocusing exercise with a view to increasing the overall performance, efficiency and transparency of the organization. This exercise involved extensive external and internal consultations throughout 1994 and 1995 and culminated in the introduction in January 1996 of a modified organizational structure consisting essentially of redefined divisional responsibilities and the creation of a Corporate Strategy and Quality Assurance Section to facilitate a corporate approach to the delivery of services. In his statement to the twenty-ninth session of the Joint Advisory Group, the Executive Director indicated that divisional responsibilities in the modified structure were more function-based and more likely to promote synergies that would lead to new relationships between individual units. The organizational chart of the new structure is shown in the appendix.

41. The team visited the Centre almost a year after the organizational changes had been put into effect. Yet

collectively the staff had difficulty expressing an opinion regarding the effectiveness of the new arrangements. The divisional functions and responsibilities remained broadly described with little or no details regarding the terms of reference of the sections and units, or a clear articulation of the interdivisional responsibilities.

42. There was no clear delegation of authority articulating the authority, responsibility and accountability of the Deputy Director, the Division Directors and the Section and Unit Chiefs. There was also little indication of tangible progress achieved by the newly created Corporate Strategy and Quality Assurance Section in facilitating or stimulating a corporate approach and teamwork in ITC. Also unclear were the value added and contribution made by the Research and Analysis Unit in facilitating priority-setting in trade promotion.

43. On the basis of the extensive interviews conducted with programme managers at various levels, the team was left with the impression that many of the basic weaknesses identified in earlier management studies and referred to in paragraph 38 above were still there. Thus, while the lack of cooperation and coordination between the substantive divisions was evident, the compartmentalization was also evident. Furthermore, there was little indication that managers were working within a comprehensive strategy that articulated their role and responsibilities and took full advantage of existing synergies and complementarities. The policies and procedures to translate the new set of priorities and core services into house-wide operational plans were being elaborated. Also absent were the specific modalities to translate adequate coordination of the core services into corresponding UNCTAD activities. In this respect, the team wishes to stress that ITC and UNCTAD should move strongly towards more joint projects and joint strategies in specific areas where complementarities in the operational activities of both organizations are apparent.

44. The team noted that many of the staff interviewed were supportive of the organizational changes. Only a few reflected strong opposition to the whole approach of management to the problems of ITC. The team examined the reasons for such opposition and came to the conclusion that they were basically motivated by personal and subjective considerations. In this connection, the team wishes to express its concern over the divisive and unconstructive manner in which some staff members have been expressing their opposition throughout the Centre. This, in the opinion of the team, has contributed in no small measure to the problems outlined in paragraph 43 above.

45. In terms of implementing the changes, most of the staff interviewed expressed in one way or another some scepticism regarding the effectiveness of the reorganization in addressing existing weaknesses and in increasing the impact of ITC activities. This scepticism was attributed partly to the lack of clarity about their respective roles in the process of change. Other reasons evoked were the length of the period taken to bring about this new structure (i.e., 20 months), which in the absence of demonstrable improvement, one year later, was considered by some to be too little too late. The team shares some of the scepticism expressed by the staff and indeed considers that the process of change was slow, not bold enough in concept and too hesitant in execution. In this connection, the team noted that the internal redeployment of staff to assume their responsibilities under the new structure was made effective as of 1 May 1996, i.e., four months after the organizational changes were put in place.

46. The team wishes to stress that a well-defined structure, proper delegation of authority and a set of clearly articulated procedures and policies are not by themselves a guarantee that the changes introduced will meet their objectives. An important element in any change process is the extent to which an institution is staffed with individuals that accept innovative ideas and are sufficiently motivated to upgrade their skills continuously and to meet new challenges.

47. The staffing situation at the Centre does not appear to fulfil this condition. A large portion of the roughly 200 staff members joined the Centre in the 1960s. Of the total complement, more than one third are over 55 years old. Some officers interviewed left the team with the impression that they were still highly motivated and committed to their work. It was also clear that over the years many have not managed to maintain their expertise in their respective fields. They have had little time or opportunity to upgrade their knowledge and skills to meet the challenges and requirements of a rapidly evolving international trade sector except through on-the-job training.

48. The situation is compounded by the fact that in recent years there has been very little outside recruitment of expertise to bring in new thinking. In this regard, the team did not come across any training programmes or sabbatical arrangements for placing staff in trade-related institutions or companies specifically designed to keep staff members abreast of the latest thinking and approaches in their field of work. Under the circumstances, the resistance to the proposed changes in the approach and work modality becomes more understandable.

49. The team believes that it may be necessary to review the degree to which the institution's collective expertise is up to date. While ITC is gifted with a number of well-qualified staff working in the various core services, there is still a need for determined efforts to upgrade the organization's skill profile as a whole. For those currently employed, this can be addressed through appropriate training. These efforts should be coupled with a vigorous search for competent candidates to fill vacancies at the Centre. In the process, the primary concern should be the acquisition of fresh expertise capable of introducing innovative approaches. This could be achieved through a judicious balance between external and internal recruitment.

50. For those technical fields that are changing rapidly, the Centre may wish to consider giving technical staff fixed-term appointments of up to five years, with a very clear understanding that no renewal or extension is possible.

V. Internal instruments for collective guidance

51. The existing mechanism designed to provide collective guidance and advice to the Executive Director is cumbersome. The Centre has 16 panels, boards and committees in which 128 staff members participate, either as full members or alternates. Of this total, 82 staff members serve in three or more committees. The Publications Board and its four working groups engage 20 staff members. The amount of time and paperwork spent on such collective guidance is very substantial. In the view of the team, a mechanism of such size is excessive for a small organization of less than 200 staff members. This is particularly worrisome in the case of any organization mandated to provide technical cooperation activities in a timely and prompt manner.

52. An examination of the terms of reference of the various panels and committees and the minutes of their meetings, suggests that in some instances the issues being deliberated border on co-management and delay prompt action. Accordingly, the responsibility and accountability of those mandated to assume such responsibilities are diluted and replaced by a collective decision-making process. A glaring example is the Selection Panel, which assigns technical cooperation advisers and appoints consultants to projects under the 200 series or special service agreements. The team believes that such selection is the direct responsibility of the project manager or the supervising Director, who should decide on the basis of criteria and procedures to be monitored by the administration. Another example is the lengthy deliberations in the Joint Advisory Committee of the restructuring launched by the Executive Director (14 sessions). As mentioned earlier, the process of restructuring was far from being a fundamental reorganization of the secretariat, and most of the decisions fell within the competence of management. The priority-setting, which was basically an issue of substance, was discussed in the Joint Advisory Committee. The proposed restructuring was also discussed in the Joint Advisory Committee over 14 days (sessions), involving on the average 12 members representing the management and the staff at each session. The team believes that such managerial issues require promptness in decision-making and determination in application of those decisions. If they are subjected, as they were, to a prolonged consultative process it may signal that management is hesitant about the matter. Accordingly, the positive impact of consultation may have been offset by the resistance and negative reaction it engendered among groups or individuals whose vested interests were shaken by the process of change. This has been illustrated by the opposition and divisiveness which gained momentum during the reorganization of the secretariat throughout 1995 and 1996.

53. All in all, the team is concerned that while too much time and too many resources were spent on deliberating the rationale of various proposed actions, there was less deliberation over how to monitor and assess the results of such actions. The team recommends that all of the existing internal instruments for collective guidance be revisited to determine their usefulness and cost-effectiveness. Their work should be streamlined and/or consolidated into fewer committees and fewer numbers of participating staff. The streamlining is particularly needed in the case of the Publications Board and its working groups. In the process, due consideration should be given to resorting to the established mechanism in the United Nations Office at Geneva for handling the functions of certain committees, i.e., classification of posts, appeals to classifications etc. This will serve the neutrality and objectivity of the process better.

54. The team was happy to note a high degree of openness in staff/management relations. This will be of particular importance as the required changes in staff profile occur. In the consequent reorganization of work, careful and transparent procedures may need to be developed to deal with resulting staff attrition.

VI. Oversight and internal control

55. The Centre does not have a system to ensure that its programme of work, as a whole, is properly conceived, adequately implemented and its results assessed. Substantive officers initiate projects that are subsequently reviewed and approved by the Project Appraisal and Clearance Committee. The Committee's review is piecemeal and intended to appraise the clarity of the proposals and the project documents. It does not concern itself with the programme as a whole to ensure its consistency with the objectives, avoid duplication of efforts and identify complementarities. The team could not find any documented institutional arrangement to coordinate and/or integrate the work of ITC with its parent organizations. This is particularly evident in the case of UNCTAD, where the current arrangement appears to be extremely modest and less than expected for an organization that acts as its technical cooperation arm.

56. Also lacking is a mechanism for adequate project tracking and monitoring. The team did not come across systematic monitoring of the implementation of the work programme as a whole against established objectives, schedules or standards. In this connection, the team noted that the reporting by the Centre of the status of implementation of its 1994-1995 programme of work for inclusion in the report of the Secretary-General on the programme performance of the United Nations for the biennium 1994-1995 (A/51/128 and Add.1) was not accurate. A review of the publications reported as implemented suggests that a substantial number of these publications were "double counted". It also suggests that the corresponding reporting of work months utilized is excessive and is not commensurate with the final delivery. It was evident to the team that there was little central control to ensure the authenticity of the information provided by individual programme managers for inclusion in the report of the Secretary-General.

57. The team noted the efforts of management to establish a firm base for performance monitoring through the development of a rolling three-year medium-term plan and annual operation plans. However, at the time of the team's visit, none of these plans could be made available. The delay was attributed to the resistance of line managers to the whole procedure. While this could be partially true, the team could not escape the conclusion that management was not clear in the guidance provided or firm in directing programme managers to develop their respective plans.

58. As far as project evaluation is concerned, and as noted above, the existing resources are stretched too thin, and insufficient attention is given to feeding evaluation lessons back into the programmes and project design or to the strategic direction of the organization. Self-evaluation of subprogrammes against objectives is nonexistent. The last one was undertaken in 1992.

59. Under the circumstances, the team believes that the management of the Centre does not currently have adequate instruments to oversee effectively its programme of work and identify the problems and weaknesses encountered during implementation. Accordingly, it also lacks an informed basis upon which to allocate resources.

60. The team examined other aspects of internal control, namely the control exercised over the staffing table and consultancies. The staffing table provided to the team and labelled "strictly confidential" does not provide details in terms of post number, programme code and type of post to determine whether the number, level and location of posts is consistent with the authorized staffing table in the approved programme budget. This issue was raised earlier in 1995 by the auditors, who recommended that post incumbency reports be generated with enough detail to correlate the posts to the programmes and grades of the incumbents. The team took note of the fact that ITC rejected this recommendation on the grounds that neither United Nations Headquarters nor the ITC parent organizations require such reporting. The team believes that the implementation of the auditors' recommendation is essential, not for reporting requirements, but for transparency and as an internal control practice designed to ensure that all personnel movement and corresponding entitlements are covered by budgetary appropriations and to prevent erroneous changes to allotments and other anomalies in personnel management.

61. In this connection, the team noted that executive direction and administration accounted for 44 percent of the total posts figuring in the staffing table. This appears to be too high for an organization with the size and mandate of ITC. In this connection, the team believes that the Division of Administration lends itself to significant streamlining. If proper efficiency measures are introduced into the modalities of work, the resources thus released could be directed to strengthen and modernize the substantive capacity of the organization.

62. The team reviewed a substantial number of special service agreements issued for consultants and experts on missions. Its findings suggest that, in many instances, the terms of reference of the consultants and experts are not sufficiently clear to establish the exact nature, size and quality of the outputs/services expected. In our view, this

situation does not provide a solid basis from which to monitor the work and its results or to certify that the services have been rendered. In this connection, the team noted that some of the certifying officers had little technical capacity to exercise a controlling function over activities that were largely carried out by others with whom they had no line relationship.

63. In the light of the above, the team is of the opinion that the existing oversight and control system at ITC is neither adequate nor transparent as a tool for sound management. The situation is compounded by the fact that there is little external oversight exercised over ITC from its parent organizations or Member States. The nature of the oversight exercised is broad and is limited to policy guidelines regarding the direction of the work and priorities, but very little oversight is exercised on results and/or achievements.

VII. Recommendations

64. Successful management of the process of institutional change and programme refocusing is the priority for the organization's management. It would probably be helpful to this process if any new Deputy Director had comprehensive knowledge of how the United Nations system works and a demonstrated ability to manage technical cooperation programmes. (SP-96-003-1)

65. A system for the coordination, monitoring and evaluation of the programmes and projects should be established as part of the overall responsibility of senior management. The system should be capable of generating periodic information on programmes for the use of various levels of management in the programming of their activities and in the allocation of resources. (SP-96-003-2)

66. The skills profile of the organization needs to be updated, retaining flexibility in the light of its new and evolving strategies. The acquisition of fresh expertise capable of introducing innovative thinking should be a primary consideration in filling any vacancies at the Centre. Determined efforts should be made to upgrade the skills profile of existing staff through appropriate training and sabbatical leave. (SP-96-003-3)

67. For technical fields that are changing rapidly, ITC should offer fixed-term appointments of up to five years, with a very clear understanding that no renewal or extension is possible. (SP-96-003-4)

68. The Division of Administration should be streamlined through the introduction of efficiency measures. Any resources released should be utilized in substantive areas. (SP-96-003-5)

69. It is urgent that a clear identification of the functional responsibility, authority and accountability of programme managers be articulated in an official issuance on delegation of authority. A firm enforcement of management decisions at all levels is also urgently needed. (SP-96-003-6)

70. A clear system of staffing control and control over the use of consultants should be established and viewed as a management tool. (SP-96-003-7)

71. The organizational structure should define the functions of the sections and units under the divisions and clearly articulate divisional, as well as interdivisional, responsibilities. (SP-96-003-8)

72. The number of internal committees, panels and boards should be substantially reduced and their work streamlined. (SP-96-003-9)

73. Resource mobilization and relations with donors are distinct functions of senior management because of their policy implications. They should be located in the Office of the Executive Director. (SP-96-003-10)

74. The current Corporate Strategy and Quality Assurance Section needs to be reexamined to see whether its shortcomings are the consequence of flaws in concept or implementation or both. The appraisal and evaluation functions do not in this instance sit well together and should be separated. (SP-96-003-11)

75. Both evaluation and research work should contribute more directly to the strategic choices management has to make about the direction of ITC. Senior management in ITC has been addressing the links between the research programme and operations. More attention could be paid within this process to the implication of the research for the choice of activities funded through the Global Trust Fund and for areas of new business. (SP-96-003-12)

76. ITC may wish to consider more joint evaluation work with WTO and UNCTAD as a contribution to ensuring harmony with their aspirations and agenda. (SP-96-003-13)

77. The potential for savings and greater effectiveness through a closer integration of the goals and work of ITC and UNCTAD should be considered by the senior management of ITC and its parent organizations. (SP-96-003-14)

(Signed) Karl Th. **Paschke**
Under-Secretary-General for
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APPENDIX

International Trade Centre UNCTAD/WTO

Organizational chart

(as of September 1996)